



Northwest Arkansas 1Q 2023 Multifamily Market Report

Welcome to the Northwest Arkansas Multifamily Market Report. This comprehensive analysis provides valuable insights into the multifamily sector's performance and emerging trends. Our data-driven approach equips investors and stakeholders with the knowledge to make informed decisions and maintain a competitive edge. We invite you to explore this resource and leverage its findings to refine your investment strategy.

Supply and Demand

Completions in 1Q 2023

172 units delivered in the first quarter of 2023. The newest deliveries are located to the north, focusing heavily on Downtown Bentonville and Rogers, tracing the explosive population growth that has taken place in recent years.

Annual Supply Trends

A total of 1,231 units were completed in Northwest Arkansas in 2022, leading to a 3.2% increase in the local inventory base in 2022. Over the past year, the largest concentration of supply was observed in Rogers and Bentonville. On average, the annual new supply accounted for 1,459 units, resulting in an average inventory growth of 4.2% over the previous five years.

Units Under Construction

In the initial quarter of 2023, a total of 2,977 residential units were in progress, with an estimated 2,005 units projected for completion in 2023. The bulk of this year's planned deliveries are expected to be concentrated in the thriving Springdale, Rogers, and Bentonville region.

Annual Absorption Trends

In the first quarter of 2023, the annual absorption rate maintained its positive trend, checking in at 551. This is particularly significant, as numerous other apartment markets experienced a decline in their annual absorption during the same period. The Bentonville and Rogers region stood out for its strong demand, contributing an impressive 471 units to overall annual absorption.

ANNUAL DEMAND VS COMPLETIONS



▼ **Occupancy Trends**

Over the past three years, Northwest Arkansas has enjoyed robust demand, which has enabled the region to report strong net absorption in 2022. This is in contrast to many markets that have seen diminishing demand and declining occupancy rates. Although the rate of demand has not kept pace with the arrival of new units in the last two quarters, occupancy rates have only dipped slightly from an all-time high of 98.5%, achieved in the first quarter of 2022. As of the first quarter of 2023, the average occupancy rate remains healthy at 96.5%.

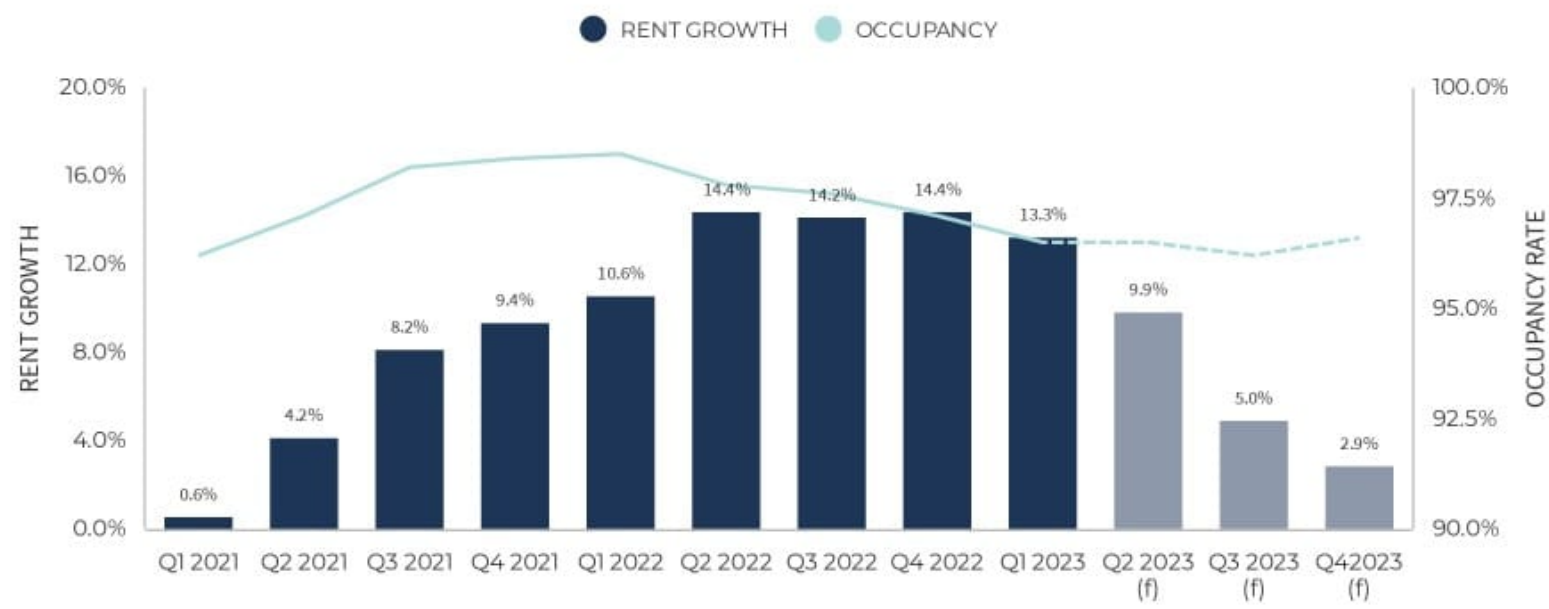
Breaking down occupancy by class reveals that Class B and Class C properties continue to maintain exceptionally high occupancy rates across the Northwest Arkansas market, at 97.3% and 98.7% respectively. In contrast, Class A properties check in a slightly lower rate of 94.4%, which can be attributed to the influx of new units in recent quarters.

▼ **Rental Trends**

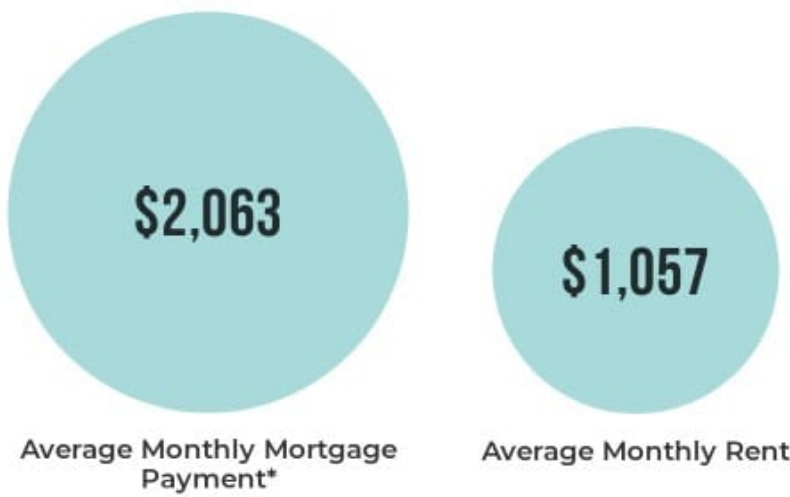
In the first quarter of 2023, the average rental rate in Northwest Arkansas reached \$1,057. Amidst a landscape where most markets are experiencing slowing growth, operators in this region have continued to drive rents to record highs. With rent growth reaching 13.3% in the first quarter of 2023, this marks the fifth consecutive quarter of double-digit gains, and ***ranks third among the top 150 largest markets*** for rent growth in this period. The Rogers / Bentonville submarket outshined the Fayetteville submarket, boasting an impressive 14.1% year-over-year (YoY) increase, while the latter still demonstrated a notable 11.4% increase. Presently, there is a \$160 premium on rent in the Rogers / Bentonville submarket compared to the Fayetteville submarket, with the average rental rate at \$1,100 currently.

Rent growth was most prominent in new, highly amenitized properties. Class A rents achieved YoY growth of 16.1%, resulting in a current rental rate of \$1,350. Class B properties posted a commendable 12.5% gain, while Class C rental rates grew by 9.0%—a figure that still surpasses the growth reported in the majority of major markets during the first quarter of 2023.

RENT AND OCCUPANCY TRENDS



RENT VS OWN MONTHLY PAYMENT



The average monthly mortgage payment is based a median home price \$323,000 as reported by NAR

Submarket Analysis

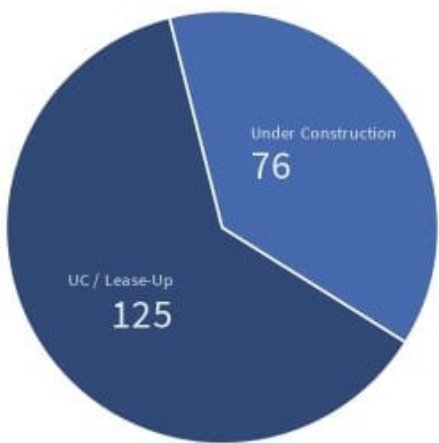
The Springdale / Rogers / Bentonville submarket stands as the largest of the two principal submarkets in Northwest Arkansas, boasting an inventory of over 24,000 units. Walmart and its various vendors serve as the primary economic catalysts in this area. Consequently, the vicinity surrounding Bentonville has unassumingly transformed into a world-class live-work-play environment, complete with exceptional museums, biking trails, historic districts, and artisanal restaurants. In response to this growth, developers have honed in on Bentonville, resulting in the near-doubling of the submarket's size over the past decade.

To the south lies the Fayetteville submarket, which is home to the University of Arkansas, the city's largest employer. This institution significantly contributes to multifamily housing demand in the region. In 2022, the university's enrollment exceeded 27,000 students. The majority of multifamily inventory is situated around the university, with a strong concentration of Class B communities.

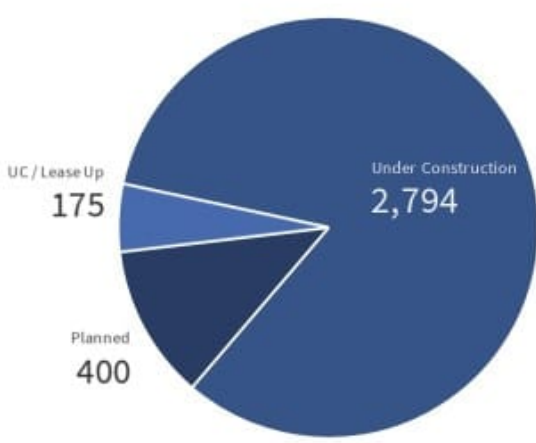
Submarket Name	1Q23 Occupancy Rate	Annual Change	1Q23 Effective Rent	Annual Change
<i>Springdale / Rogers / Bentonville</i>	95.9%	-2.4%	\$1,101	14.1%
Class A	93.9%	-3.6%	\$1,346	16.5%
Class B	96.8%	-1.8%	\$1,048	12.7%
Class C	98.7%	-0.7%	\$683	9.5%
<i>Fayetteville</i>	98.2%	-0.7%	\$940	11.4%
Class A	96.8%	-0.7%	\$1,371	14.4%
Class B	96.8%	-0.1%	\$933	12.1%
Class C	98.7%	-0.8%	\$716	9.5%

SUBMARKET PIPELINE BREAKOUT

Fayetteville submarket



Springdale / Rogers / Bentonville Submarket



Sales Activity

The Northwest Arkansas multifamily housing market has experienced significant growth and investment activity in recent years. This growth is largely due to a thriving economy, driven by major employers such as Walmart, and the presence of the University of Arkansas. In 2022, investment activity remained elevated, registering \$410 million, while the average price per unit rose by 15% year-over-year. The submarkets of Springdale / Rogers / Bentonville has seen increased investor interest, capturing \$350 million of overall transaction activity. Investors have also shown a preference for newer properties, further driving up prices in the market.

As the region continues to experience economic and population growth, demand for multifamily housing is expected to remain strong. This provides ample opportunities for investors and developers to capitalize on the burgeoning market in Northwest Arkansas.

Transaction Trends

Transaction Volume

\$408M

2022 Transaction Volume

Pricing

\$128.6k

2022 Price Per Unit

-15%

Annual Volume Change

-14%

Annual Price Change

Top Buyers (Prev. 36 Mos)

- 1. Weidner Property Management
- 2. LURIN Capital
- 3. Lone Star Funds
- 4. Block Real Estate Services
- 5. Canyon View Properties

Top Sellers (Prev. 36 Mos)

- 1. Orchard Properties
- 2. BSR REIT
- 3. Hamilton Point Investments
- 4. Engage Management
- 5. Simmons + Kourtis

Economy

In March 2023, the Northwest Arkansas metro area witnessed substantial job growth, with a 5.1% increase in total nonfarm jobs over the past 12 months, bringing the total number of jobs to 306.3 thousand. The unemployment rate remained comparatively low at 2.6%. The mining, logging, and construction sector saw the highest growth rate at 9.2% over the past year, driven by the accelerated construction of Walmart's new world headquarters campus. Furthermore, the information sector, a high-wage industry, registered a notable 4.3% annual increase in jobs, while financial activities experienced a 2% uptick.

Northwest Arkansas' diverse local economy spans across various sectors, with Walmart playing a prominent role in propelling the region's economic growth. As the company strives to compete with and excel against Amazon in the e-commerce arena, the Bentonville area has experienced a significant surge in high-wage, high-tech jobs. This focus has contributed to the impressive job growth observed in recent years. Furthermore, the region's affordable living costs and strategic location make it an attractive destination for businesses and workers alike, bolstering the area's economic vitality.

Major Economic Developments



Walmart World HQ

\$1.0B

Investment for new HQ campus

18k

The new Campus will be able to accommodate a larger workforce

Downtown Bentonville

Location of new HQ

30

buildings under construction

2025

Completion of project build out



Alice L. Walton School of Medicine

New

medical school located in NWA

154K SF

New four-story facility being built

1,000

Jobs generated

Fall 2025

inaugural class



Pinnacle Village

\$100M

Estimated total investment

1M SF

Mixed-use development including hotel, office, retail and residential uses

Rogers

Located in the heart of the city

2025

First phase opens

Market Outlook

The outlook for Northwest Arkansas remains positive, driven by a diverse local economy, strong job growth, and a high quality of life. Walmart's continued investment in the region, particularly in high-wage, high-tech jobs, will play a crucial role in the area's ongoing economic success. As the company competes with Amazon and other e-commerce giants, the Bentonville area can expect further growth in technology-related employment.

Population growth and business expansion will likely continue to fuel demand for multifamily housing in the region, particularly in the Springdale / Rogers / Bentonville submarkets. Developers and investors will find opportunities to capitalize on this demand, as the region's affordable living costs and strategic location continue to attract both businesses and workers.

Infrastructure improvements and the development of world-class amenities will further enhance the region's live-work-play environment. As such, Northwest Arkansas is poised for continued growth in the coming years, underpinned by a diverse economy, strong job market, and high quality of life. The region's ongoing success will offer numerous opportunities for developers, investors, and residents alike.

Sources: RealPage; Costar; BLS; Northwest Arkansas Business Journal

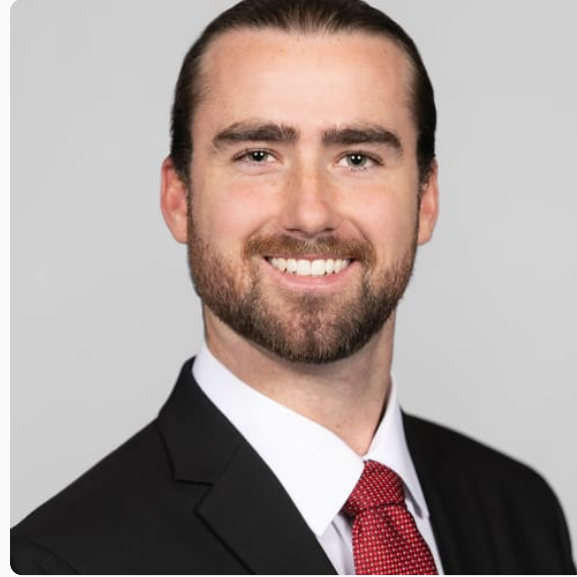




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